

**KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES**

Resolution No. 1-2015

**A RESOLUTION CONCERNING THE CONDUCT OF A COMPREHENSIVE
PERFORMANCE AUDIT AND BENCHMARKING STUDY OF KENTUCKY
RETIREMENT SYSTEMS**

WHEREAS, certain elected State officials, candidates for Governor, and others, including the Kentucky Chamber of Commerce, have called for a comprehensive performance audit of the Kentucky Retirement Systems (KRS); and

WHEREAS, notwithstanding the fact that numerous audits, investigations, inquiries and studies of KRS have been conducted in the past several years, none of which have disclosed any significant problems with the administration of KRS by the KRS Board of Trustees or the KRS staff; and

WHEREAS, the KRS Board of Trustees and staff desire to ensure that they are operating at the highest levels of efficiency, effectiveness and with the utmost integrity; and

WHEREAS, in the opinion of the KRS Board of Trustees, a comprehensive performance audit and peer benchmarking of all aspects of KRS' operations, including, but not limited to: plan funding; actuarial functions; administrative management; information security; information technology; financial management; investment performance and management; health insurance and pension benefits management; facilities management and communications management will certainly result in recommendations for operational improvements and should help ensure that KRS is administered in an efficient, effective and ethical manner; and

WHEREAS, in the opinion of the KRS Board of Trustees, any such comprehensive audit and benchmarking study should be independently initiated by the Kentucky Auditor of Public Accounts and other State officials and should be financed by the Kentucky General Assembly with funds that are entirely separate from funds appropriated to pay the full actuarially required employer contribution rate to the Kentucky Employees Retirement System and the State Police Retirement System.

NOW THEREFORE, The Board of Trustees of the Kentucky Retirement Systems, by a vote of its members taken in public session at a special meeting held on October 23, 2015 hereby resolves and encourages State officials to initiate a comprehensive performance audit and

benchmarking study of KRS and encourages the Kentucky General Assembly to appropriate up to \$1,000,000 in the next biennial budget to fund such a comprehensive audit and study. The KRS Board of Trustees further resolves that the Board and KRS staff will cooperate fully with such an audit and study and provide any and all information requested by persons or entities chosen to conduct the audit and study.

The Kentucky Retirement System Board of Trustees hereby directs staff to transmit a copy of this resolution to the Governor of Kentucky, members of the Kentucky General Assembly, and the Kentucky Auditor of Public Accounts.

Approved this 23rd day of October 2015

THE KENTUCKY RETIREMENT SYSTEMS BOARD OF TRUSTEES

By: _____
Thomas K. Elliott, Chair

KENTUCKY RETIREMENT SYSTEMS

LIST OF STUDIES, AUDITS, INQUIRIES AND INVESTIGATIONS CONDUCTED FROM 2008 - 2015

Since 2008, the following studies, audits, inquiries and investigations have been conducted on KRS:

- Annual financial audit conducted by independent accounting firm (currently Dean Dorton) and at least once every 5 years by the APA, who conducted the KRS financial audit for the 2013 FY
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- Two studies of KRS investment program and performance by the General Assembly's Program Review and Investigations Committee (Governance, Funding and Investments, Sept. 2012) (Investment Rates of Return, Governance and Policies of KRS, June 2008)
- Comprehensive Finance and Governance Audit (Examination of Certain Policies, Procedures, Controls and Financial Activities of KRS) conducted by the APA. Report issued 6/28/11
- Securities and Exchange Commission – 2 1/2 year inquiry (2010-2013) into the use of placement agents by investment firms utilized by KRS
- Actuarial Experience Studies completed for the periods; 2005-2008; 2008-2013
- Asset liability modeling (ALM) studies conducted by investment consultant, RV Kuhns and actuary, Cavanaugh Macdonald, in 2010 and 2015
- Actuarial Audit conducted by Segal Consulting Company (2015)
- Private Equity Return Benchmarking Report, CEM Benchmarking, Inc., December 2011
- Investment Cost Effectiveness Analysis conducted in 2015 by CEM Benchmarking Inc.
- Administrative Cost Effective Analysis currently being conducted by CEM Benchmarking Inc. which will be completed and presented to the PPOB in the spring
- Appearances before the PPOB since around September 2013 during which KRS has provided all the data and information requested by the PPOB